



## **Transaction Announcement Presentation**

**July 2008**

# Summary of Transaction



## Transaction

- Acquisition by Kohlberg Kravis Roberts & Co. (“KKR”) of all the assets and liabilities of KKR Private Equity Investors (“KPE”)

## Consideration

- KPE unitholders will own 21% of combined company outstanding units at closing before giving effect to Contingent Value Interests (“CVIs”)
- KPE unitholders will receive CVIs, which can result in up to an additional \$4.94 per unit of value, or 6% of combined company, being transferred to KPE unitholders from KKR principals
- Transaction expected generally to be tax-free for KPE unitholders in the United States

## KKR Commitment

- KKR principals will not be selling equity
- KKR principals will be subject to 180-day lock-up and significant transfer and vesting restrictions (6 – 8 years)<sup>1</sup>

## Listing, Governance and Distribution Policy

- NYSE / Delaware
- Majority independent board
- Intend to distribute substantially all of the cash earnings of the asset management business

## Approvals and Closing

- Unanimous KPE independent board and majority KPE unitholder approval (excluding units whose vote is controlled by KKR and its affiliates)
- Fourth Quarter 2008

(1) Transfer and vesting restrictions subject to waiver by KKR founders

# Strategic and Economic Opportunity



## ■ KKR is at a unique inflection point in its growth trajectory

Positioned to benefit from investors shifting assets to leading global alternative asset managers

Leading global brand, 26.1% returns over a 32 year track record

Actively pursuing new lines of business to fully leverage platform and capitalize on environment

## ■ KPE unitholders currently participate in only the Private Equity aspect of this story

KPE unitholders returns are net of fees and carry paid to KKR (~\$55 million of annual management fees and \$160 million of carry assuming normalized returns)<sup>1</sup>

Trading dynamics of Euronext listing currently impacting returns

**The combination of KKR with KPE provides KPE unitholders an opportunity to participate in all the economics of KKR's business**

**KKR principals and KPE unitholders will share in the same income streams**

### Access New Businesses

- Fixed Income
- Capital Markets
- Infrastructure
- Mezzanine

### Diversify Revenue Sources

- Management fees
- Transaction fees
- Monitoring fees
- Carry

### Participate in New Growth Opportunities

- AUM growth
- Capital appreciation
- New businesses

### Increase Cash Flow and Liquidity

- Distribution of cash earnings from asset management business
- NYSE listing

(1) See "Illustrative Earnings Power," page 35 and "Forward Looking and Illustrative Information," page 40

# Implied Premium to KPE Market Value



\$ in millions, except per unit price

- Run-rate earnings assume 17.5% return, below historical returns of 26.1%
- Run-rate earnings do not include any benefit of incremental capital raised/invested or expansion into new businesses

	Illustrative 17.5% Return on Invested Capital <sup>1</sup>		
KKR Run-Rate Economic Net Income <sup>1</sup>	\$1,233	\$1,233	\$1,233
Multiple	12.0x	11.0x	10.0x
KKR Implied Market Value	\$14,797	\$13,564	\$12,331
÷ KKR Ownership	79.0%	79.0%	79.0%
Implied Pro Forma Company Market Value	\$18,730	\$17,169	\$15,608
x KPE Ownership	21.0%	21.0%	21.0%
Implied KPE Purchase Price	\$3,933	\$3,606	\$3,278
Implied Pro Forma Value per Unit <sup>2</sup>	\$19.20	\$17.60	\$16.00
Implied Premium <sup>3</sup>	82.8%	67.6%	52.3%
Pro Forma Economic Net Income <sup>1</sup>	\$1,835	\$1,835	\$1,835
Implied Pro Forma Multiple	10.2x	9.4x	8.5x

(1) See "Illustrative Earnings Power," page 35 and "Forward Looking and Illustrative Information," page 40

(2) Assumes 79% KKR / 21% KPE ownership and 204.9mm KPE units outstanding

(3) Based on a KPE unit price of \$10.50 as of 25-Jul-2008

# CVI Provides Valuation Protection



- Provides up to 6% additional ownership to current unitholders if, after three years, value is below \$22.25<sup>1</sup>

Funded by KKR principals through a direct transfer of ownership; cash or unit settled

\$ in millions, except per unit price

Value per Unit @ Year Three<sup>2</sup>

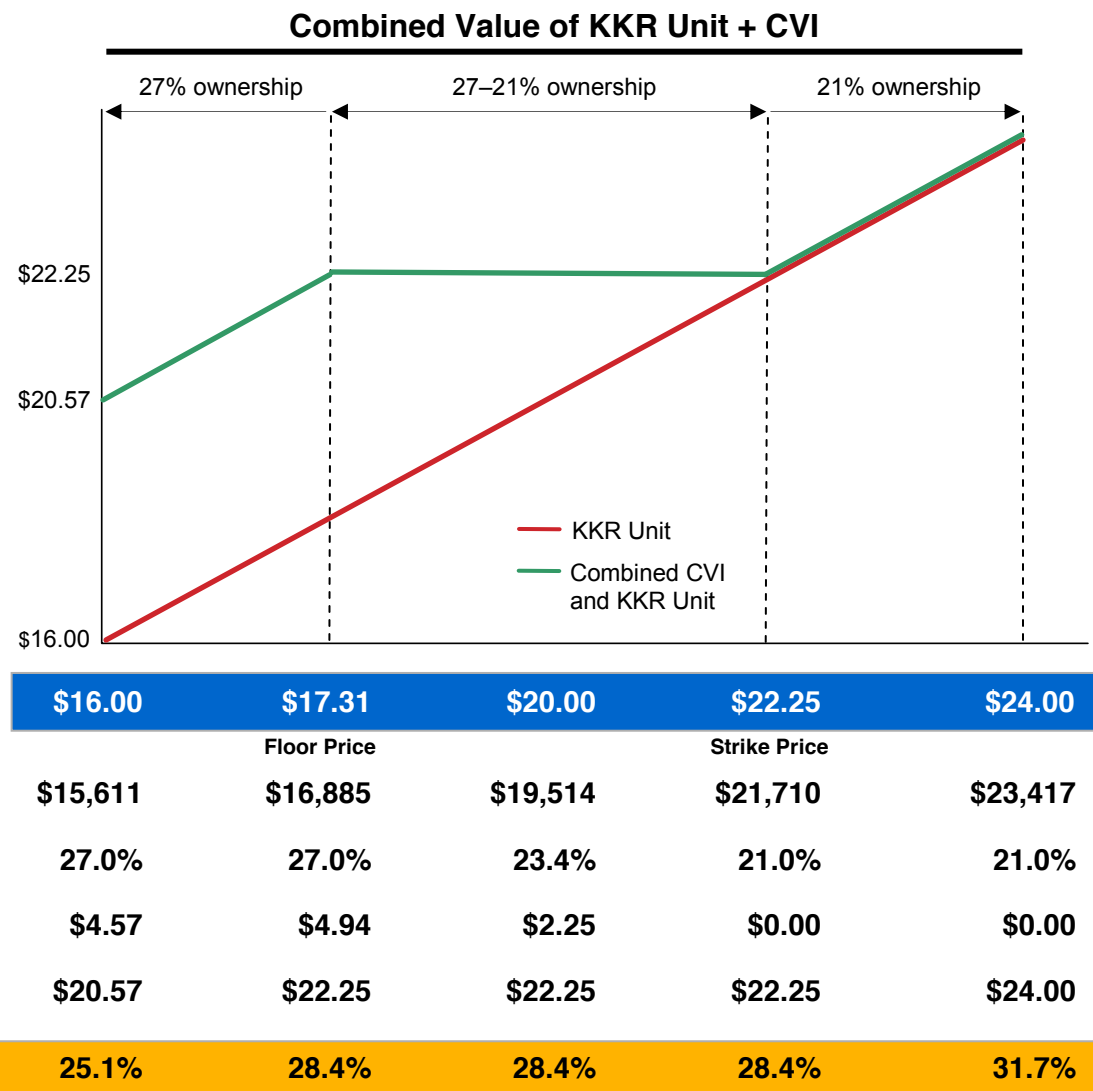
Pro Forma Market Value

Ownership % (Incl. CVI)

CVI Payout

Total Value per KPE Unit (Incl. CVI)

IRR to KPE Unitholder<sup>3</sup>



Note: For detailed CVI terms, see page 38

(1) Equals KPE NAV as of 30-Jun-2008

(2) Assumes no distributions

(3) Based on \$10.50 KPE unit price as of 25-Jul-2008 and three year term. IRRs are illustrative and see "Forward Looking and Illustrative Information," page 40

# Rationale for the Transaction



## KPE Unitholders

- Opportunity for significant implied premium based on market comparables
- Increased liquidity through NYSE listing and expanded investor base
- Access to diversified and recurring asset management fee and carry streams from long-dated asset base
- Opportunity for significant growth from expansion of asset management business
- Elimination of fees and carry on KPE assets
- Access to ongoing cash distributions
- Valuation protection through CVIs

## KKR

- Increased ownership of KKR Private Equity portfolio
- Provides capital base to launch growth initiatives
- Currency provides KKR with another tool to attract and retain talent and fund acquisitions

## **I. Overview of KKR**

## Overview

- Founded in 1976, KKR is one of the world's oldest and most successful alternative investment firms with \$61bn of AUM

98% of AUM is locked up for 10+ years

- Global firm with over 500 employees in 9 offices globally

- Three core businesses

Private Equity

Fixed Income

Capital Markets

- Focus is on providing value by investing in and improving business over the long term

Employment, R&D and capital expenditures at portfolio companies usually increase

- Significant opportunities to further leverage KKR's brand and expand into new businesses

Infrastructure

Mezzanine

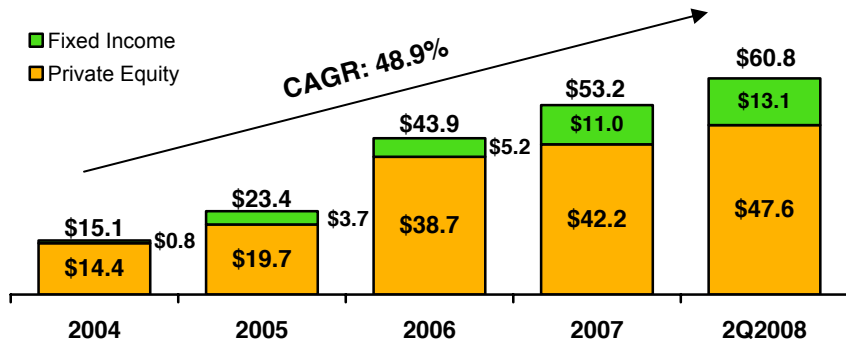
Real Estate

Public Equity

## Growing Business

AUM (2004 – 30-Jun-2008)

(\$ in billions)



## Long Term Capital Base => Recurring Revenues

Contractual Life of Invested Capital (30-Jun-2008)<sup>1</sup> (\$ in millions)

	Private Equity	Fixed Income <sup>2</sup>	Total	Percentage
2 Years	-	\$673	\$673	1.1%
5 Years	-	290	290	0.5%
10 Years	1,223	10,000	11,223	18.5%
18 Years	42,035	-	42,035	69.1%
Permanent	4,384	2,180	6,564	10.8%
<b>Total</b>	<b>\$47,642</b>	<b>\$13,143</b>	<b>\$60,785</b>	<b>100%</b>

Note: KPE NAV of \$4.558bn as of 30-Jun-2008

(1) Time periods are measured from the time of a fund's inception

(2) \$13.1bn of Fixed Income AUM excludes \$3.0bn of committed capital raised after 30-Jun-2008



# Key Differentiators



## Experienced investment team with a long history of innovation

- Top 25 senior Private Equity principals have been at KKR an average of 12 years
- Top 6 Fixed Income professionals have an average of 17 years of experience

## Global reach

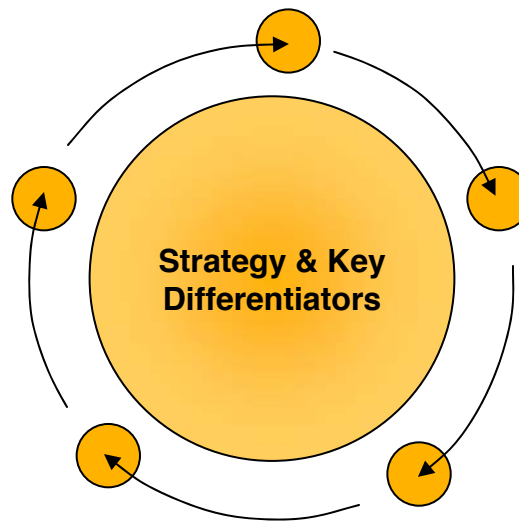
- Worldwide presence across 4 continents and 9 countries
- Multinational portfolio companies with global resources
- Expertise and relationships across global markets

## Best-in-class processes

- Investment Committee
- Portfolio Management Committee

## Emphasis on value creation

- 100-Day Plans
- Unique operational resources: KKR principals, Capstone, Senior Advisors



## Deep industry knowledge

- Multi-sector approach to investments
- Deep-seated relationships across industries

## Relationships

- KKR's deep cross-industry relationships are a **sourcing** advantage (80% of investments are non-auction)
- Strong and longstanding **investor base** (10 largest investors have been with KKR an average of 15 years)
- Ability to attract world class **management teams**

# KKR's Investment Philosophy



## Long-Term Investors

- Involved, patient investors who want companies to take a long-term perspective and invest for future growth

Average investment holding period is more than five years

## Acquire Attractive Franchises

- Invest in market-leading companies that can grow and improve

Large businesses provide many opportunities for growth and operational improvements in areas such as manufacturing, sales and marketing

## Partner with Companies for the Benefit of All Stakeholders

- Partner with management and employees who put their own capital at risk

Address concerns of stakeholders

Strengthen skills and competencies at all levels of the organization

## Develop an Appropriate Capital Structure

- Develop financing structures that help companies

Invest in growth

Weather cyclical downturns

## Create Value by Improving Companies

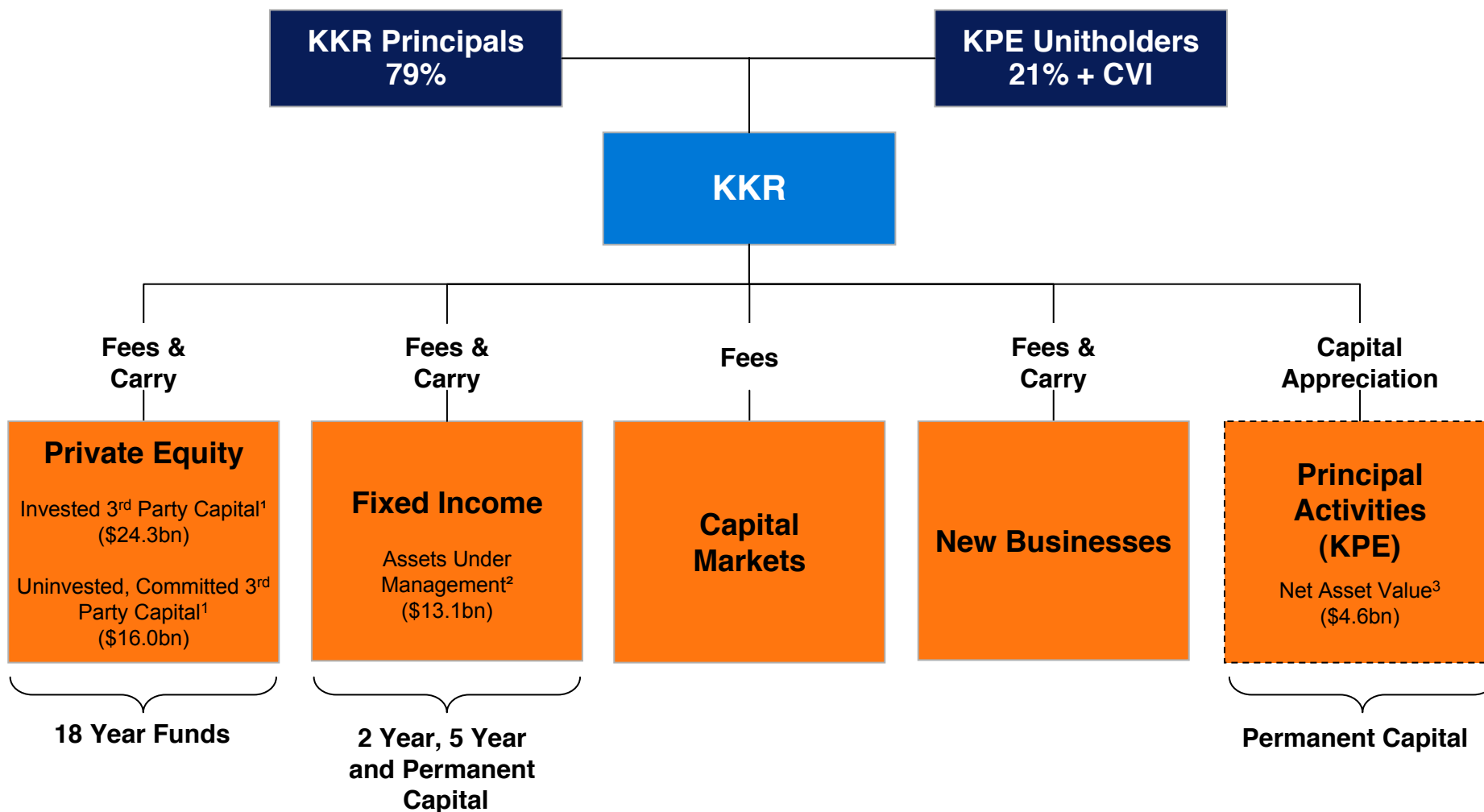
- Leverage skills built up through 32 years of investing in, and owning, businesses

Industry expertise of KKR executives

KKR Capstone (operational consultants)

Senior Advisors

# Diversified Alternative Asset Management Platform With Significant Scale



(1) As of 31-Mar-2008

(2) \$13.1bn of Fixed Income AUM excludes \$3.0bn of committed capital raised after 30-Jun-2008

(3) As of 30-Jun-2008

## **a) The Private Equity Business**

# Private Equity Overview



## ■ KKR is the most experienced, successful private equity franchise

32 years of history, 14 traditional Private Equity funds (excludes KPE)

Completed over 165 transactions, with over \$420bn enterprise value

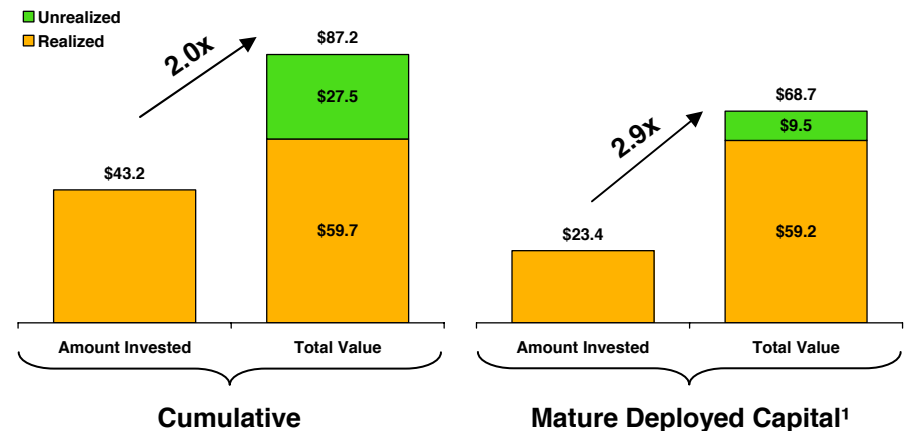
Since inception, KKR has turned \$43.2bn of invested capital into \$87.2bn of value (2.0x invested capital)

Investing capabilities across all major geographies and industries

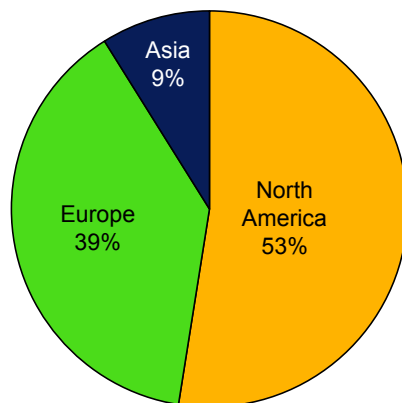
Focus is on investing in and improving business over the long term, benefiting multiple stakeholders

## Amount Invested and Total Value (as of 31-Mar-2008)

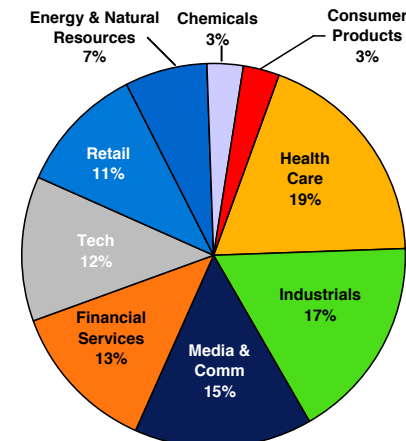
(\$ in billions)



## PE Investments by Geography (as of 31-Mar-2008)



## PE Investments by Industry (as of 31-Mar-2008)

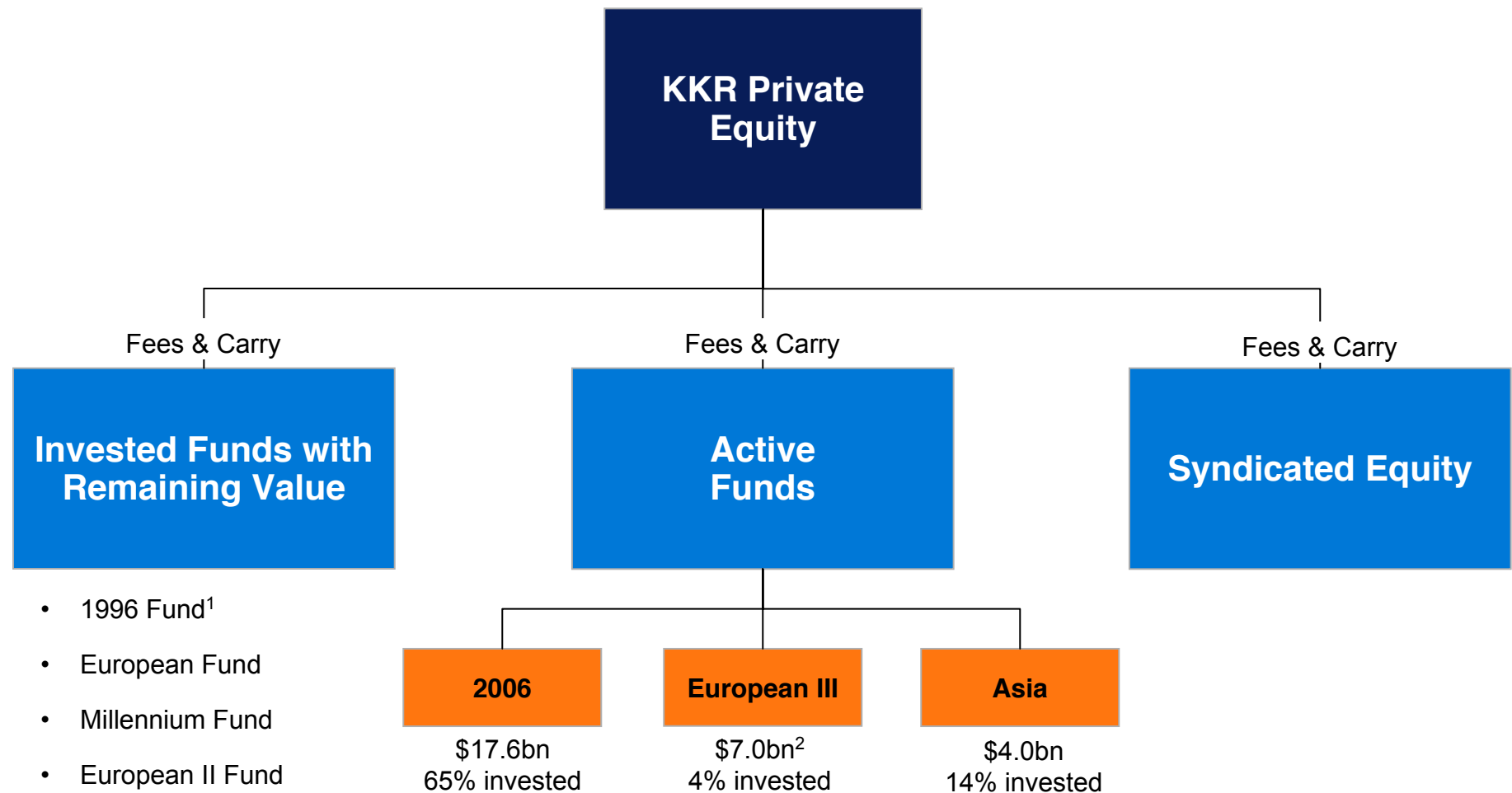


(1) Mature deployed capital excludes four most recent funds (investments after Nov-2005)

# Organizational Structure



- All funds expected to generate meaningful realizations for KKR are being contributed



(1) 1996 Fund contributes only fees to the public company as it contains no net positive carry










(2) Fund size expected to be at least \$7.0bn; currently closed on \$6.9bn as of 30-Jun-2008

# Portfolio of 46 World-Class Franchises

## \$205bn of Revenue and 855,000 Employees



### Top 10 Holdings by Value







Investment	Date of Investment	Fair Value (as of 31-Mar-2008) (\$ in millions)
	Sep-07	\$ 2,325
	May-07	2,129
	Dec-02	2,092
Energy Future Holdings	Oct-07	1,842
	Jul-07	1,118
	Nov-06	1,099
	Jul-07	1,017
	Jul-07	997
	Sep-06	850
	Jan-08	817
<b>Total</b>		<b>\$ 14,286</b>

### Other Leading Companies



# How Our Approach Builds Stronger Companies



Company	Headquarters	Investment Period	During KKR's Ownership...
 ALLIANCEIMAGING	Anaheim, CA	Nov. 1999 – May 2007	Revenues increased by 43% and the number of employees by 13%
 Amphenol	Wallingford, CA	May 1997 – Sept. 2004	The number of full-time employees rose from less than 7,000 to more than 16,000 and R&D investments more than doubled to over \$30 million
 AutoZone	Memphis, TN	Aug. 1984 – Dec. 1997	The number of employees increased from 2,500 to 27,000 and the number of stores from 175 to 1,423
 DURACELL	Bethel, CT	June 1988 – Dec. 1996	Revenues increased by 83% and the number of employees from 8,500 to 9,600
 Energy Future Holdings	Dallas, TX	Oct. 2007 – Present	Supported by environmental and labor organizations, including AFL-CIO; created a Sustainable Energy Advisory Board; committed to invest \$400 million in conservation and energy efficiency activities.
 ITC	Novi, MI	Feb. 2003 – Feb. 2007	The number of direct employees increased from 38 to 230, with another 460 union employees under contract to work in the field; built much-needed power infrastructure in MI



# How Our Approach Builds Stronger Companies (cont'd)



Company	Headquarters	Investment Period	During KKR's Ownership...
	Palo Alto, CA	Feb. 2004 – Present	The number of employees has grown from 6 to 203, and the company has invested \$135 million in R&D
	Portland, OR	Feb. 1997 – Jan. 2005	EBITDA increased, as did CapEx and the number of centers operated, children served, and people employed there
	Carlsbad, CA	Nov. 2001 – May 2007	\$140 million was invested to improve the facilities, and the total number of UNITE Here union employees working at La Costa has grown by 44% to the current level of 641
	Boston, MA	April 1988 – July 1996	The number of employees increased from 28,000 to 36,000, and the number of stores increased from 114 to 171
	Wayne, NJ	July 2005 – Present	Employment increased 22%, capital spending increased 40%
	London, UK	Nov. 1998 – Nov. 2005	The number of employees globally, approximately 30% of whom work in the U.S., increased 18%

# Portfolio Company Outlook



## ■ *KKR's portfolio companies are well-positioned to weather market cycles*

### Defensive Outlook

- **Alliance Boots:** pharmaceutical and cosmetic companies historically perform well in downturns
- **Dollar General:** consumers tend to trade down in difficult economic times
- **EFH (TXU):** largest producer of energy in Texas
- **First Data:** volume drives the business, not the purchase size
- **Biomet:** benefits from favorable demographic trends
- **HCA:** stable industry and helpful demographic trends

### World Class Management

- **Alliance Boots:** Stefano Pessina
- **Dollar General:** Rick Dreilling (ex-CEO of Duane Reade)
- **First Data:** Michael Capellas (ex-CEO of Compaq & MCI)
- **Nielsen:** David Calhoun (ex-GE)

### Attractive Capital Structures

- 5-6% after-tax cost of funding
- No near term maturities at the vast majority of the portfolio companies
- Almost all companies have delevered since time of entry
- Moody's study showed that PE competitors had up to 50% of deals downgraded versus one KKR-sponsored deal; KKR was the only firm to have more upgrades than downgrades

### Operational Focus

- Operational approach drives value in all economic cycles
- 100 day plan drives operational improvements shortly after investing
- Capstone consulting and senior advisors provide portfolio companies with unique operating expertise
- Long term investment allows focus on multiple stakeholder benefits

### No Reliance On Multiple Expansion

- When modeling exit strategies, 91% of current portfolio assumed lower multiple at exit than entry
- Historically, approximately 15% of KKR's value creation has come from multiple expansion, with EBITDA growth and deleveraging accounting for the remaining 85%

# KKR Has Consistently Delivered Benchmark-Exceeding Investment Performance



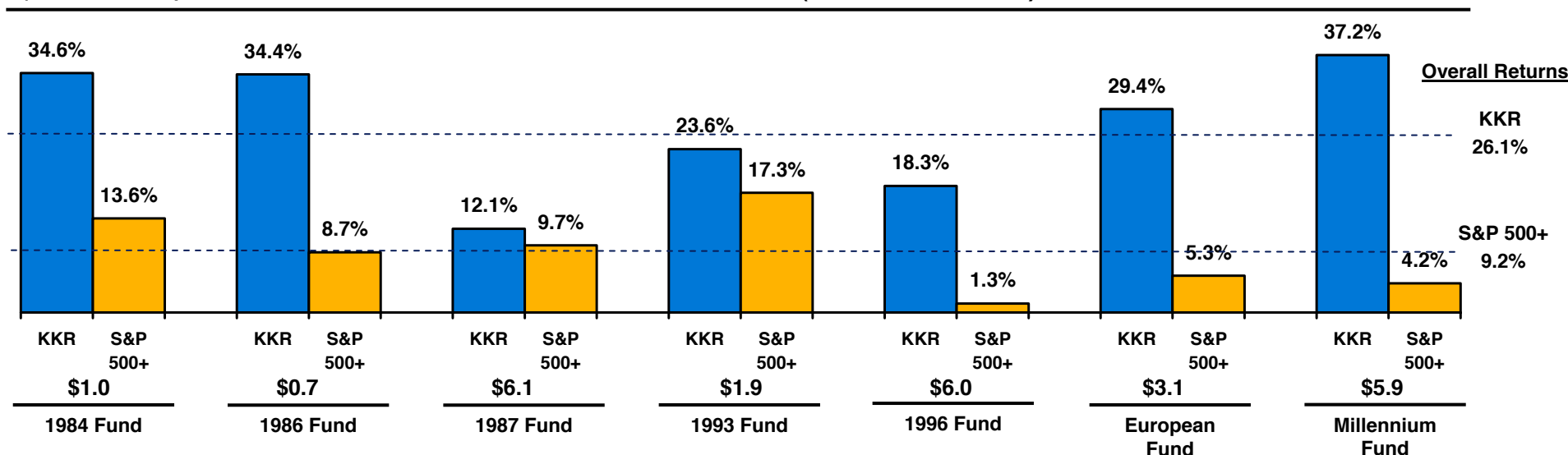
- Consistently outperformed the markets over the last 3+ decades in all market environments
- Every fund has had positive returns (High: 48.1%; Low: 12.1%)<sup>1</sup>
- Only one vintage year with a negative return (1990) and that fund returned over 2x invested capital
- Significant returns on investments made during periods of economic weakness

## Annualized Fund Performance During Periods of Low Economic Growth

	Gross IRR	Multiple of Invested Capital
1980-1982	28.9%	5.0x
1990-1992	8.2%	1.9x
2000-2002	21.3%	2.3x
<b>Overall</b>	<b>26.1%</b>	<b>2.0x</b>

(\$ in billions)

## Annualized Fund Performance (as of 31-Mar-2008)<sup>1</sup>



(1) Fund performance shown on a gross basis from inception through final liquidation for historical funds and from inception through 31-Mar-2008 for active funds. Excludes recently formed funds

## **b) The Fixed Income Business**

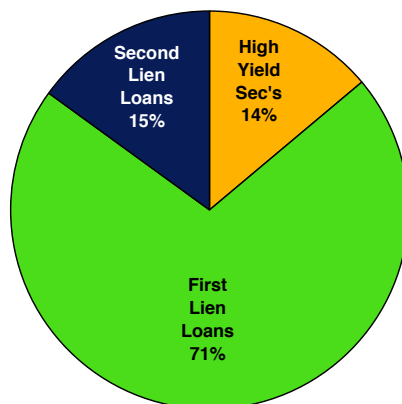
# KFI Portfolio Snapshot



## Overview

- Sponsor and manage fixed income focused investment vehicles with a mix of both permanent and redeemable capital (subject to lock-up provisions – generally longer lock-up terms)
- Invest in syndicated new issues, originated product and opportunistic secondary market positions
- Employ financing strategies that are flexible, long term and low cost
- Access attractive revenue streams across all economic cycles (i.e. distressed debt investments)
  - Invest across capital structure
- Focus on risk management and portfolio management

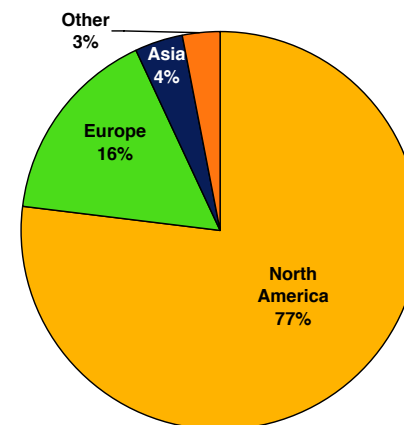
## Portfolio by Type (as of 31-Mar-2008)



## Corporate Investments

- Leveraged Loans
- High Yield
- Bridge Loans
- Mezzanine & Subordinated
- Distressed Investments
- Market Dislocation Opportunities
- Select Equity Investments (Public, Private and Preferred)

## Portfolio by Geography (as of 31-Mar-2008)

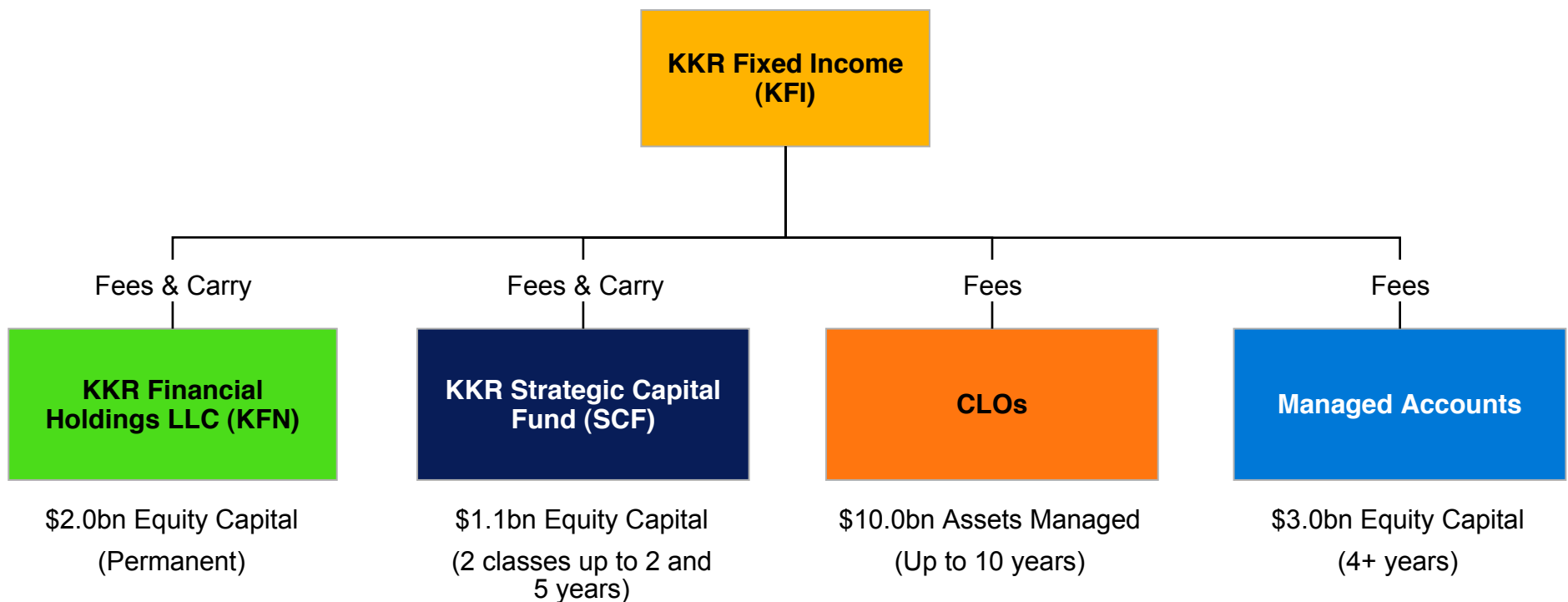


# Organizational Structure



- \$13.1bn of long-term Assets Under Management as of 30-Jun-2008

Excludes \$3.0bn of committed capital raised after 30-Jun-2008



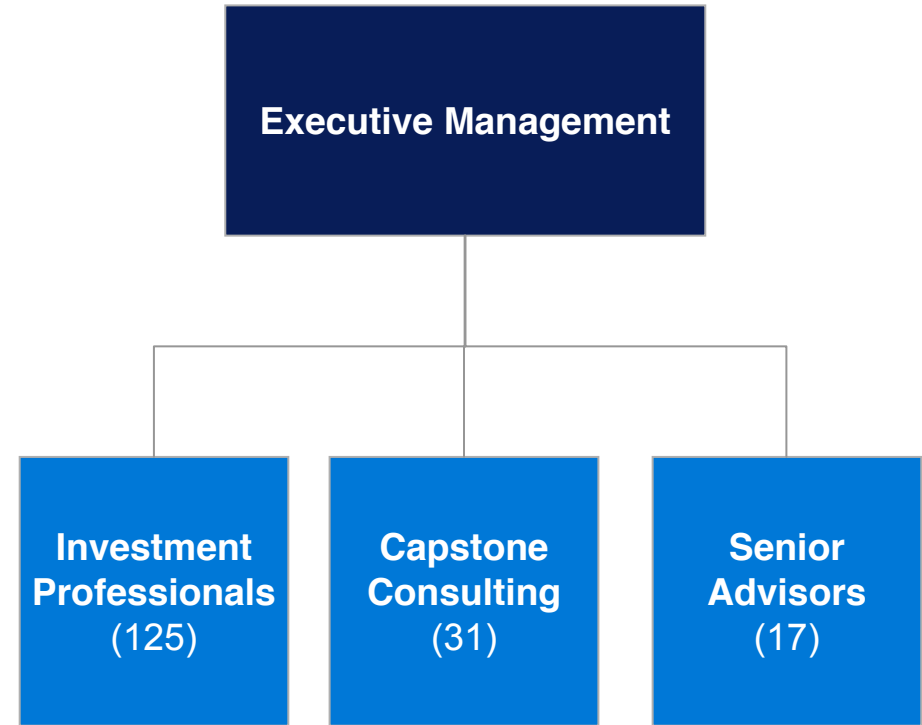
# Global Organization & Integration



## KKR Fixed Income



## KKR Private Equity

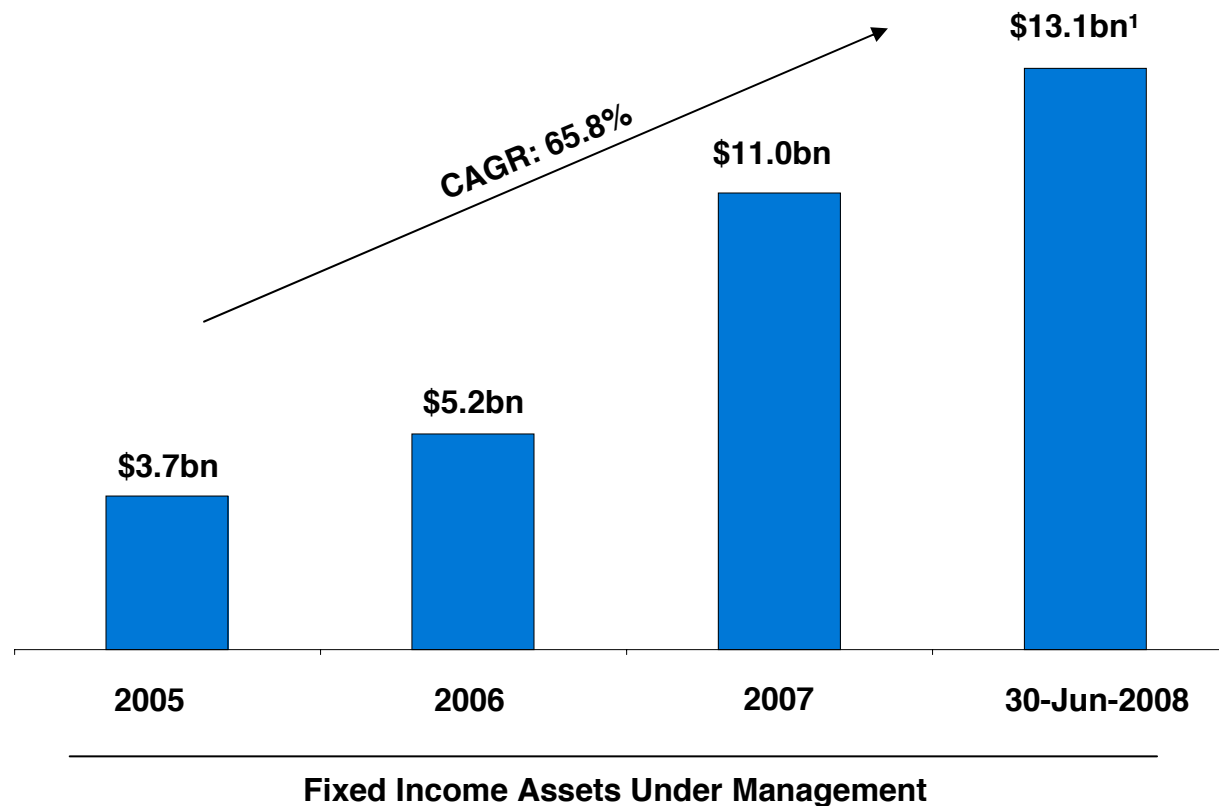


(1) As appropriate and according to compliance procedures

# Fixed Income Growth



- KKR's rapid growth in Fixed Income demonstrates how KKR will leverage its brand, global footprint and relationships to build successful new businesses
- Started in 2004 with one vehicle, \$800mm of capital raised through a 144A private placement and a team of 2 people
- Today the business has 4 vehicles, \$13.1bn<sup>1</sup> of AUM and 69 employees, including 31 investment professionals organized by industry groups



(1) \$13.1bn of Fixed Income AUM excludes \$3.0bn of committed capital raised after 30-Jun-2008



## **c) Distribution and Capital Markets**

# Distribution & Capital Markets Overview



- Developed a global capital markets business that distributes KKR products and generates fee revenues
- The business model is financially compelling and synergistic to our other businesses
  - Compelling economics and scale
  - Leverage KKR sourcing advantage
  - Capitalize on current instability in financing markets
  - Creates internal business fully dedicated to providing unbiased and focused advice to KKR and KKR portfolio companies

## Key Functions of the Capital Markets Team

- Capital Raising
  - World class capability
  - Leverage relationships across businesses
- Structuring Securities
  - Advise deal teams as needed
- New Product Development
  - New funds, products and sources of capital
- Underwriting
  - Underwriting term loans, high-yield, mezzanine and private equity primarily for KKR deals
- Origination
  - Originating new underwriting opportunities for syndication or for KKR investment
- Syndication
  - All products (Private Equity, IPOs, secondaries, term loans, mezzanine, high yield)
- Other
  - Wall Street capital markets relationship management
  - Principal activities

# Capital Markets Activity Since Inception

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## ■ KKR Capital Markets launched in summer 2007

### Business Highlights

- US broker dealer license – September 2007
- UK FSA license – January 2008
- Closed \$700mm financing facility – February 2008
- Received license to distribute PE funds in Japan – April 2008
- Participated in several revenue generating transactions, both equity and debt placements
- Developing closer relationships with investors, including Limited Partners, Mutual Funds, High Net Worth family offices, Hedge Funds and Sovereign Wealth Funds

### Transaction Highlights

- Syndicated over \$8bn of Equity
- Rockwood Secondary Offering
- Northgate Mezzanine Placement
- KKR Financial Secondary Offering
- Legg Mason Back Leverage Placement
- Alliance Boots and EFH Equity Syndication

## **d) New Initiatives**

# Significant Growth Opportunities



- *KKR continues to develop new businesses and capital sources to further leverage its brand, information advantage, substantial resources and sourcing capabilities*

## Grow Existing Businesses

- Continue market leadership, growth and innovation in Private Equity
- Expand further into Fixed Income
- Capture greater share of fee income through Capital Markets business

## Expand into New Geographies

- Asia
- India
- Latin America

## Build New Businesses

- Infrastructure
- Mezzanine
- Public Equity
- Real Estate
- Develop new products / hybrids (example: recently launched principal protected product)

# KKR Future



## ■ KKR has a history of innovating and leading business transformations that have shaped the investment landscape

Pioneer of the leveraged buyout model

Largest ever buyouts in several geographies, including the U.S., Canada, France and India

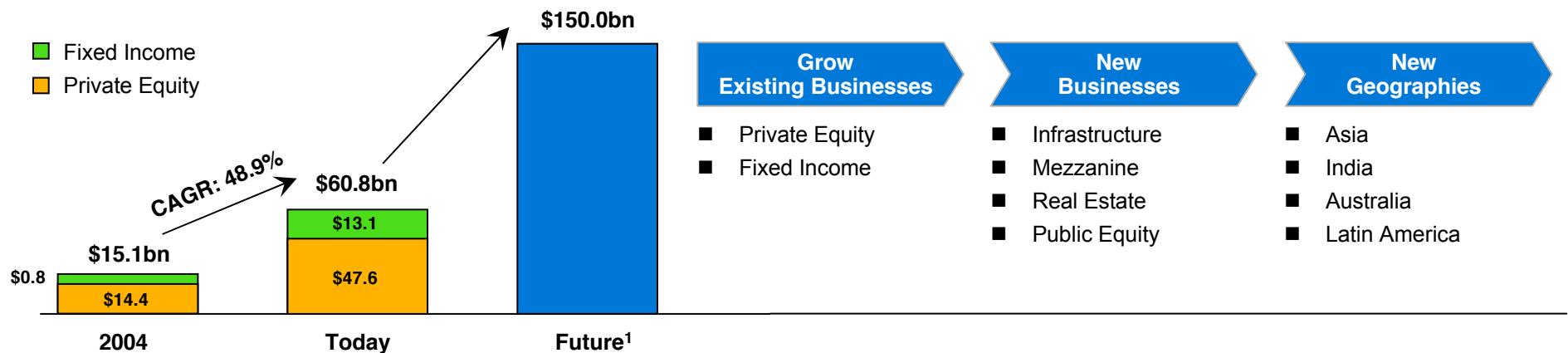
## ■ KKR has grown significantly over the past few years

Transformed a primarily Private Equity business into a diversified, multi-product alternative asset manager

Expanded geographic reach with presence in most major markets, and grown from 3 offices to 9 offices

Rapid AUM growth from \$15.1bn in 2004 to \$60.8bn as of 30-Jun-2008

## ■ Our vision for KKR of the future includes continued globalization of our business and expansion into new asset classes



**The capital and currency from this transaction will serve as a springboard for growth**

(1) See "Forward Looking and Illustrative Information," page 40

## II. Financials

# Summary KKR Historical Financials



- We have significantly grown our assets under management over the past three years
- Our fees have grown at a 90% CAGR over the same time period
- Our recent historical financials reflect only minimal earnings from the \$24.5bn of capital we have invested over the past 2.5 years

	2005	2006	2007	1Q2007	1Q2008
(\$ in millions)					
Total Fee Income	\$ 241	\$ 435	\$ 872	\$ 114	\$ 136
Total Expenses	157	245	438	74	101
<b>Fee Related Earnings</b>	<b>\$ 84</b>	<b>\$ 190</b>	<b>\$ 434</b>	<b>\$ 40</b>	<b>\$ 35</b>
Investment Income	865	940	405	313	(148)
<b>Income before Non-Controlling Interests</b>	<b>\$ 949</b>	<b>\$ 1,130</b>	<b>\$ 838</b>	<b>\$ 354</b>	<b>\$(113)</b>
Non-Controlling Interests	13	25	23	8	4
<b>Pre-Tax Economic Net Income</b>	<b>\$ 936</b>	<b>\$ 1,104</b>	<b>\$ 815</b>	<b>\$ 346</b>	<b>\$(117)</b>
<b>Adjusted Economic Net Income<sup>1,2</sup></b>	<b>970</b>	<b>1,166</b>	<b>937</b>	<b>361</b>	<b>(97)</b>
<b>Adjusted Fee Related Earnings<sup>1</sup></b>	<b>105</b>	<b>227</b>	<b>532</b>	<b>48</b>	<b>51</b>

(\$ in billions)

Other Metrics					
Private Equity AUM	\$ 19.7	\$ 38.7	\$ 42.2	\$ 44.1	\$ 46.7
Fixed Income AUM	3.7	5.2	11.0	9.3	11.0
<b>Total AUM</b>	<b>\$ 23.4</b>	<b>\$ 43.9</b>	<b>\$ 53.2</b>	<b>\$ 53.4</b>	<b>\$ 57.7</b>
Capital Deployed	\$ 2.9	\$ 6.7	\$ 15.0	\$ 1.4	\$ 1.8

Notes: Preliminary unaudited pro forma segment financial information for KKR has been separately presented in Annex A to the press release announcing the transaction

Financial statements reflect 65% ownership of Fixed Income business which is 100% owned as of 30-Jun-2008

(1) Adjusted figures exclude executive bonuses as the public company will not be burdened with these bonuses

(2) Adjusted figures add back non-controlling interest; as of 30-Jun-2008, Fixed Income business is 100% owned by KKR



# Revenue Drivers



## Management Fees

- Private Equity assets typically generating 1-2% fees
- Fixed Income assets typically generating 0.5-2% fees

## Transaction Fees

- Fees earned on completed transactions and the syndication of additional equity related to these investments
- Fees earned from Capital Markets group

## Monitoring Fees

- Negotiated fees paid by portfolio companies

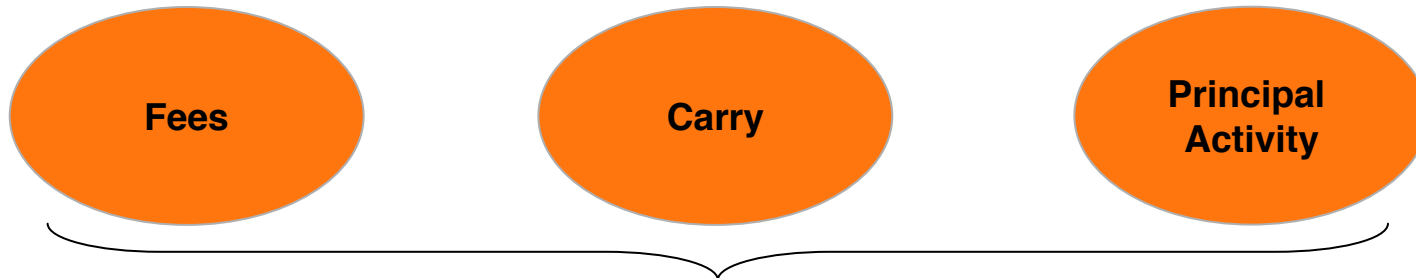
## Incentive Fees

- \$28.9bn<sup>1,2</sup> of 3<sup>rd</sup> party Private Equity capital invested which earns carry equal to 20% of profits  
Since inception KKR Private Equity funds have generated a gross IRR of 26.1%
- \$2.8bn<sup>2</sup> of Fixed Income capital invested which earns incentive fees of 15-20%

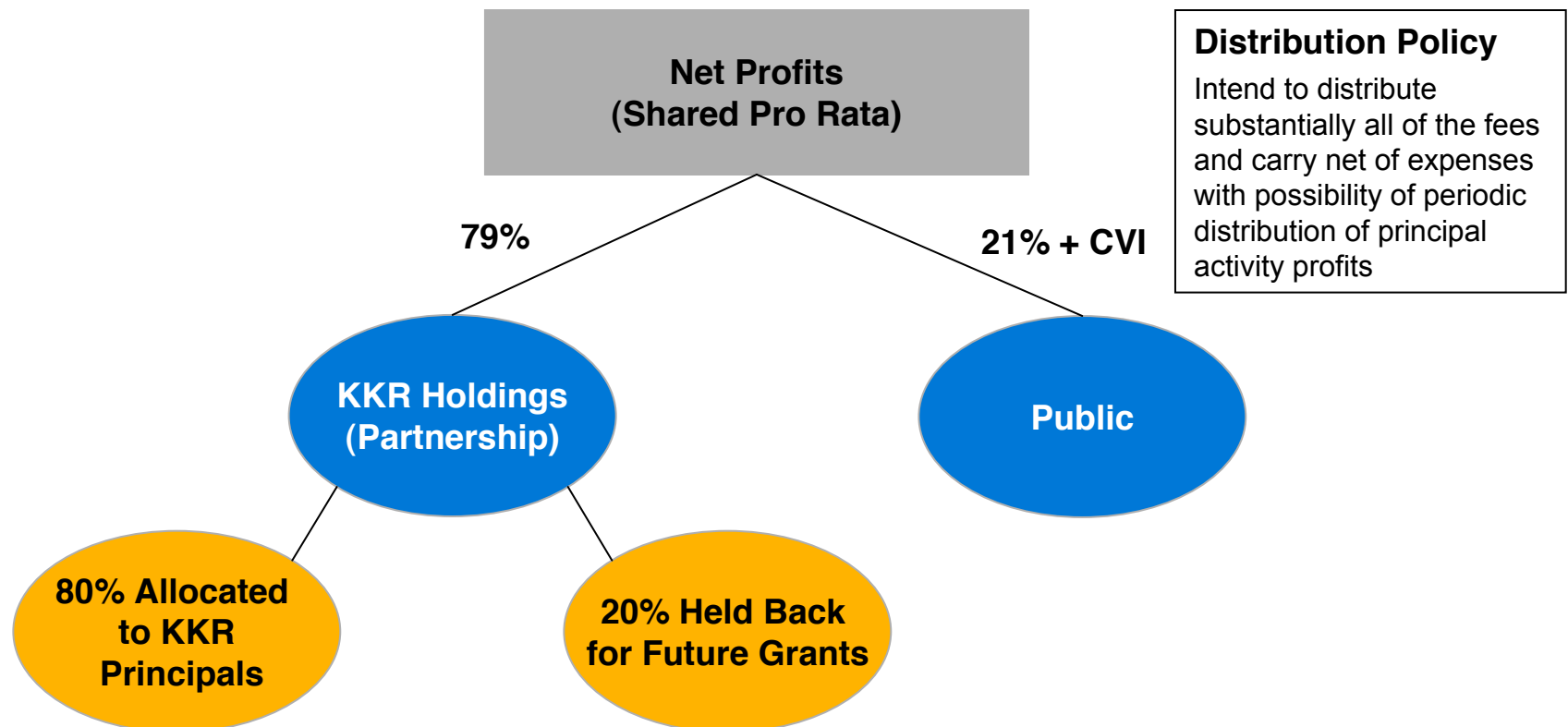
(1) Includes KPE NAV of \$4.558bn as of 30-Jun-2008

(2) As of 31-Mar-2008

# Simplified Pro Forma Expenses and Ownership Chart



Reduced by staff / junior professional compensation, general and administrative expenses



# Illustrative Earnings Power



- Since inception mature KKR Private Equity funds have generated a gross IRR of 26.1%

The best performing fund returned 48.1% (1982 Fund)

The worst performing fund returned 12.1% (1987 Fund)<sup>1</sup>

	<div>Normalized Fees</div> <div>Management fees, transaction fees and monitoring fees</div>		<div>Illustrative Performance Based Fees<sup>3</sup></div> <div>Existing Invested Capital: \$28.9bn</div> <div>15.0% Return</div> <div>17.5% Return</div> <div>20.0% Return</div>		
Revenue (\$ in millions)	\$700 <sup>2</sup>	+	\$917	\$1,062	\$1,206
Total Revenues			\$1,617	\$1,762	\$1,906
Expenses and Taxes <sup>4</sup>			485	528	572
Run-rate Economic Net Income			\$1,132	\$1,233	\$1,334
Less: KPE After Tax Management Fees <sup>5</sup>			(36)	(36)	(36)
Less: KPE Carry to KKR <sup>6</sup>			(137)	(160)	(182)
Plus: KPE Investment Income <sup>6</sup>			684	798	912
Pro Forma Economic Net Income			\$1,643	\$1,835	\$2,028

(1) The 1987 Fund includes KKR's investment in RJR Nabisco/Borden. Excluding this investment, the Fund would have returned 25.2%

(2) See "Forward Looking and Illustrative Information," page 40. Actual 2007 = \$849mm (\$872mm of total fee income less \$23mm of credit incentive fees)

(3) See "Forward Looking and Illustrative Information," page 40. Each scenario includes \$50mm in incentive fees related to Fixed Income businesses

(4) Assumes 70% after-tax margin

(5) Assumes 35% tax rate on \$55mm of KPE management fees

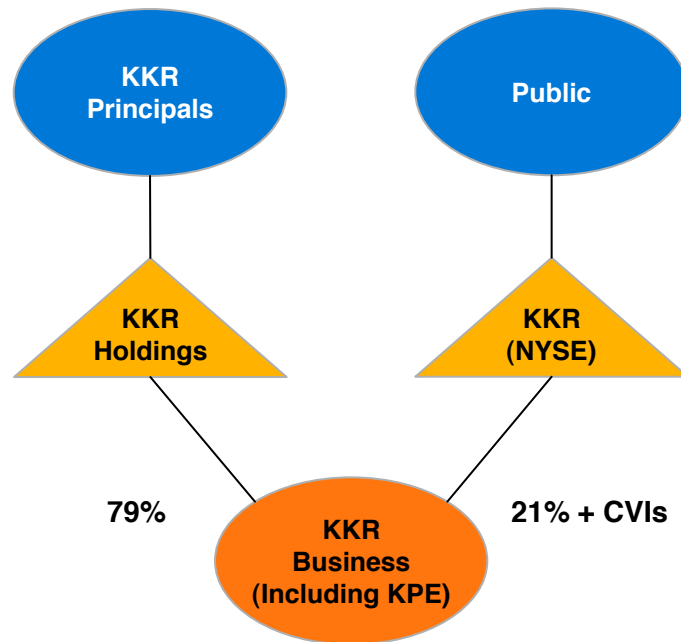
(6) KPE NAV of \$4.558bn as of 30-Jun-2008

### **III. Transaction Structure**

# Transaction Summary



## Simplified Resulting Structure



## ■ Key Structuring Steps

KPE contributes all of its assets and liabilities to KKR in exchange for newly issued KKR units representing 21% of the equity of the combined company (before giving effect to CVIs)

- KKR principals retain 79% of the equity of the combined company through KKR Holdings

KPE receives CVIs which can result in an additional 6% of equity ownership

KKR contributes the assets of KPE to KKR subsidiaries

KPE distributes newly issued KKR units and CVIs to existing KPE investors and dissolves / delists from Euronext

## ■ The transaction would use KKR's existing IPO vehicle as the listed company for the combined business

NYSE listing and liquidity, with access to larger investor base in the United States

Improves certainty and timing of the transaction

Simple process for delisting and exiting the Netherlands/Guernsey

Delaware limited partnership with KKR-controlled managing partner

Majority of independent directors with fully independent audit and conflicts committees

# Detailed CVI Summary



## ■ KPE unitholders will receive a CVI that provides partial valuation protection

Strike Price = \$22.25; set at 30-Jun-2008 KPE NAV/unit

Floor Price = \$17.31; set to transfer up to 6% ownership to KPE unitholders

KKR unit price will be calculated over a 90-day averaging period at the end of year three

Payment will effectively be funded by principals of KKR and can be in cash or units at their election

CVIs will be separate from KKR units, but will not be transferable

CVI will expire if KKR units trade above \$24.00 for 20 consecutive trading days

Value diagram and table assume no interim distributions on KKR units; strike, floor and knockout prices will be adjusted for distributions

**Payoff of 1 KKR Unit + CVI @ Year Three**

KKR Unit Price @ Maturity		
Price < \$17.31	\$17.31 ≤ Price ≤ \$22.25	Price > \$22.25
1.2857 Units <sup>1</sup>	\$22.25	1 Unit

**Combined Value of CVI and KKR Unit**



(1) 0.2857 Units/CVI or 58.54mm aggregate units; equal to 6% of total units outstanding at closing

# Creates Value for KPE Unitholders



	Current	New
Business	<ul style="list-style-type: none"> <li>■ Guernsey closed-end fund</li> </ul>	<ul style="list-style-type: none"> <li>■ Pre-eminent, multi-product global asset manager with significant ownership positions in world-class franchises</li> </ul>
Economics	<ul style="list-style-type: none"> <li>■ Net returns on principal investments after management fees (~1.15%), carry (20% of profits) and expenses</li> </ul>	<ul style="list-style-type: none"> <li>■ No longer paying management fees and carry to KKR</li> <li>■ Access to recurring fee streams and carried interest profits generated by multiple asset classes along with retained ownership and upside potential from KPE portfolio</li> </ul>
Listing / Jurisdiction	<ul style="list-style-type: none"> <li>■ Euronext Amsterdam / Guernsey</li> </ul>	<ul style="list-style-type: none"> <li>■ NYSE / Delaware</li> </ul>
Liquidity	<ul style="list-style-type: none"> <li>■ Limited due to listing venue and '40 Act restrictions</li> </ul>	<ul style="list-style-type: none"> <li>■ Broad and deep market</li> </ul>
Diversity	<ul style="list-style-type: none"> <li>■ Primarily private equity</li> </ul>	<ul style="list-style-type: none"> <li>■ Private equity, fixed income, capital markets</li> </ul>
Growth Potential	<ul style="list-style-type: none"> <li>■ Capital appreciation of assets</li> </ul>	<ul style="list-style-type: none"> <li>■ Growth in existing asset management business, new businesses, capital appreciation of assets</li> </ul>
Dividends	<ul style="list-style-type: none"> <li>■ Limited to tax distributions</li> </ul>	<ul style="list-style-type: none"> <li>■ Regular distribution of substantially all of the asset management company cash earnings</li> </ul>

# *Forward Looking and Illustrative Information*



This presentation contains certain forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements are based on KKR's and KPE's beliefs, assumptions and expectations of their future performance, taking into account all information currently available to them. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to KKR and KPE or are within their control. If a change occurs, KKR's and KPE's business, financial condition, liquidity and results of operations may vary materially from those expressed in the forward-looking statements. The following factors, among others, could cause actual results to vary from the forward-looking statements: general volatility of the capital markets; changes in KKR's and KPE's business strategy; availability, terms and deployment of capital; changes in KKR's compensation structure; availability of qualified personnel; changes in the asset management industry, interest rates or the general economy; increased rates of default and/or decreased recovery rates on KPE's investments; underperformance of KKR's investments and decreased ability to raise funds; and the degree and nature of KKR's and KPE's competition. Neither KKR nor KPE undertakes any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made.

Without limiting the foregoing, information presented in this presentation as illustrative, including illustrative KKR returns on invested capital, are presented for illustrative purposes only using historical information and do not in any respect constitute beliefs, expectations or projections of future performance or returns. Actual future performance and returns are subject to the several events, factors and risks highlighted in the preceding paragraph, among others. Additional factors that could cause performance, returns or results to differ materially from the forward-looking statements can be found in KKR's Registration Statement on Form S-1 (file no. 333-144335) filed with the Securities and Exchange Commission.



This presentation is being made in respect of the proposed transaction involving KKR and KPE. In connection with the proposed transaction, KKR will file with the SEC an amendment to its existing Registration Statement on Form S-1 (file no. 333-144335) and will be filing other documents regarding the proposed transaction with the SEC.

**INVESTORS AND SECURITY HOLDERS OF KPE ARE URGED TO READ THE REGISTRATION STATEMENT AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED**

**TRANSACTION.** The final prospectus contained in the registration statement will be mailed or otherwise disseminated to the holders of KPE's common units. Holders of KPE's common units will be able to obtain free copies of the final prospectus (when available) and other documents filed with the SEC by KKR through the web site maintained by the SEC at [www.sec.gov](http://www.sec.gov). Free copies of the final prospectus (when available) and other documents filed with the SEC can also be obtained by directing a request to KKR, 9 W. 57th Street, Suite 4200, New York, New York 10019 Attention: Investor Relations.

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